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Refining the Economic Dimension of Carroll's CSR Pyramid by Taking Organization Form into Account

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Abstract

In 1991, Archie Carroll presented the CSR pyramid, which has since become a widely recognised conceptualisation of corporate social responsibility. Responding to recent suggestions that understanding of the pyramid should be evaluated with regard to particular organisational contexts, the paper proceeds from awareness that not all corporations are owned by shareholders. Analysing qualitative data from consumer co-operatives, the authors conceptualise the economic responsibilities of these and consider them in light of prior definition of corporate economic responsibilities, to abstract a more general definition of corporate economic responsibility. The article is, to authors knowledge, the first one to address the implications of organizational form in economic responsibilities of a company.

Key Words: Corporate social responsibility, economic responsibility, CSR, co-operatives, cooperatives, ethics

Introduction

Corporate social responsibility (CSR) has been an important concept in theory and practice for nearly 70 years. The traditional ethos of CSR stems from an idea that corporations have further obligations alongside economic and legal ones (e.g., McGuire, 1963; Schwartz & Saiia, 2012). Scholarly attention over the years has led to various definitions and approaches emerging, with one of the most important and well-regarded conceptual frameworks for CSR being that developed in Archie Carroll's article on the topic in 1991 (e.g., Visser, 2006). Constructed in the form of a pyramid, this four-dimension model was aimed at illustrating the whole of CSR. Ever since, the CSR pyramid has attracted interest from scholars around the world. While this model's applicability across contexts is well recognised, modifications are often needed for particular contexts. For example, in Europe and Africa the levels of the pyramid may vary in significance (Crane & Matten, 2007; Visser, 2011), and Spence (2016) as well as Lu et al. (2020) have considered the pyramid from the perspective of SMEs.

Furthermore, Carroll himself has suggested, in a 2016 article, that there is a need to consider how the pyramid should be understood in alternative organisational contexts. He states that the 'original pyramidal depiction of CSR [...] was clearly done with American-type capitalistic societies in mind' (p. 7), alluding to a conflict of interest between owners/investors and other company stakeholders that constitutes a widely recognised dilemma in discussion of CSR (e.g., Crane et al., 2008; Lehtimäki et al., 2011).

Encouraged by Carroll's recent remarks, we applied our awareness that not all corporations are shareholder-owned (Hansmann, 1996) in following B. Flyvbjerg's recommendation (2006) for taking one particular form of incorporation as an example to challenge the idea of profit maximisation as the purpose of corporations and, with it, the corresponding definition of economic

responsibility. We draw on lessons from the context of co-operatives – a unique and widespread form of corporation conceptually enshrining a specific set of ideas and principles (Jussila, 2013; Novkovic, 2008) – in applying analysis of empirical qualitative data from consumer co-operatives to conceptualise their economic responsibilities. The data consisted all together 42 interviews of representatives of consumer co-operatives' top management and administration. Comparing these with standard definition of corporate economic responsibility, we abstract a more general definition of CSR.

Our analysis is of the economic dimension of the pyramid. This project can be seen as a justifiable first step since that dimension forms the base for dimensions at higher levels (e.g., Carroll, 1979). In more revelatory terms, the differences emerging between forms of corporations imply that the prevailing conceptualisation of CSR (Carroll, 1991; Schwartz & Carroll, 2003) is actually a sub-construct and that higher-level abstraction can be reached. By uncovering this, we help change thinking in the field, not via an anti capitalist trick but with a celebration of variety.

The research questions guiding us toward these ends are simple: 1) what are the economic responsibilities of customer-owned consumer co-operatives (COCs), and 2) what constitute general corporate economic responsibilities? We begin with scene-setting, by defining consumer co-operatives and explicating their role in illustrating the influence of alternative company forms in the CSR pyramid. The methodology section specifies sub-questions that informed the project's path and the process through which the research questions were answered through empirical findings. We then present the findings, discuss them, and articulate our conclusions. As the reader may have deduced, our scope is limited to addressing the idea that the corporation is a tool for the principals (shareholders or consumer-owners) to pursue their economic self-interest (Jensen & Meckling, 1976).

Literature Review

Carroll's CSR Pyramid

Carroll's CSR pyramid is one of the most distinguished and cited frameworks to construe the whole of corporate social responsibility (Visser, 2006). The big idea behind it argues that companies have categorically several responsibilities in relation to society, and these can be divided in economic, legal, ethical, and philanthropic expectations (Carroll, 1991). As Aupperle et al. (1985) state, these four categories form interrelated but at the same time independent conceptual components of corporate responsibility. As such, the components can be approach together or separately. In light of Carroll's statement that 'the first and foremost social responsibility of business is economic in nature' (1979, p. 500), we find CER as a natural starting point for analysing the influence of organizational form on Carroll's CSR pyramid.

Carroll himself (2016, p. 3) states that economic responsibility is "fundamental condition or requirement of existence, [and] businesses have an economic responsibility to the society that permitted them to be created and sustained". According to this idea, businesses are not able to act (responsibly) in a society without being profitable and ensuring their long-term existence. Making profit is also a vital mean to incentivize investors to invest money in production of goods and services that create value for society and consumers (ibid.). As Carroll sees economic responsibility of making profit as ensuring the long-term existence of companies and incentivization of investors, we argue that in case of consumer co-operatives the aspect of incentivization does not hold. We turn into explaining our position next.

Co-operative as a Company Form

Co-operatives are an example of member-owned 'big business of a distinctly modern type' and represent 'a substantial share of the economy in most developed market economies' (Hansmann, 1999, p. 387). Worldwide, co-operative organisations boast more than 1,000 million member-owners and provide 100 million jobs (International Co-operative Alliance, 2019). Most importantly, profit maximisation is not the purpose of a co-operative, but rather the value created for its' member-owners as serves users (cf. Michelsen, 1994; Talonen et al., 2016; 2018).

Co-operatives come in several forms, depending on the stakeholder group that owns them (cf. Talonen, 2018, p. 22). A traditional categorization of these organizations includes producer-owned (e.g. Figueiredo and Franco, 2018; Ponte and Ewert, 2009), employee-owned (Webb and Cheney, 2014; Clamp and Alhamis, 2010) and consumer-owned co-operatives (COC, e.g. Hilson, 2018; Ekberg, 2012). While hybrid co-operatives (with more than one stakeholder group as owners) can be established, having only one stakeholder group as owner enables the company to focus on more homogeneous owner-interests. Furthermore, COCs can be divided in retail co-operatives (e.g. Hingley et al., 2011), co-operative banks (e.g. Groeneveldt and Vries, 2009; Lomi, 1995), and mutual insurance companies (e.g. Talonen, 2016; Hansmann, 1985). Thus, analysis can be done by taking the industry specific characteristics into account or by analysing COCs as a one group of co-operatives that are owned by their customers. The latter approach puts emphasis in analysing the common features of different COCs, which is the level of analysis that we have chosen. Consequently, our findings and conclusions are valid for all COCs although the empirical data is drawn from a retail co-operative.

As an abstract entity, a COC can be defined as consumer-

owners' tool to get access to a) services and goods that are needed but not otherwise provided in the market and/or obtain b) services and goods at fair prices whereas the prices are not fair in the absence of a co-operative entity (Jussila et al., 2008). In that regard, the idea of COCs is to run businesses 'not oriented towards earnings in terms of money only, but on members' "earnings" in terms of concrete services' (Michelsen, 1994, p. 23). Therefore, because the owners' primary role in this model of corporation is that of a user, not a shareholder (or trader), and since the model is oriented not toward profits and higher (or changing) stock prices but toward better terms of trade for the consumers (Borgen, 2004; Spear, 2004), corporate economic responsibilities different from those presented in Carroll's 1991 work are to be found. Thereby, discussion of co-operatives' purpose and responsibilities can be nurtured more broadly, and scholars can develop metrics by which the workings of COCs' CSR activities can be evaluated – one not bound up with the market value of the firm (Mackey et al., 2005).

Methodology

To pinpoint knowledge gaps and begin filling them in detail (Siggelkow, 2007), we chose to build our research in the form of a case study (Eisenhardt & Graebner, 2007). Following an interpretive research approach (Van Maanen, 1979), we gave a voice to key representatives of top management and governance bodies, to afford an insider perspective on the purpose and responsibilities of consumer co-operatives. Their ideas, associations, and analyses provide the cases in our study.

Through our research setting of consumer co-operatives in Finland's S Group association, we join the researchers who use Finnish data to inform administrative science (e.g., Vaara, 2001; 2003; Vaara & Tienari, 2002). The choice of country is quite noteworthy with regard to the aims of our study. In a little over a century, Finnish retail co-operation has come a long way, from small village co-operatives to large-scale businesses, and the S Group – with a mission statement referring to a quest for customer-owner value – is often presented as the most successful example.

At the end of 2018, the S Group had almost 2.4 million members (where the entire population of Finland came to approximately 5.5 million) and was the country's market leader for daily consumer goods, with an exceptionally high market share: 46.4% in 2018. Financially, the group is on solid footing. In 2018, the S Group's retail sales amounted to EUR 11.5 billion and its total profit before extraordinary items was 355 million euros. Members were paid 372 million euros in 'bonuses,' and the group's investments totalled 589 million euros (S Group, 2019).

Collection of the Data

Our research can be seen as longitudinal in that the process began back in 2004 with pilot interviews (see Fielding, 1993) involving co-operation researchers and also former managers and board members of S Group member co-operatives. The main objective for these interviews, which the first author conducted with an interview guide rooted in inductive thematic analysis of non academic literature on the ideas and principles of co-operation, was to gain knowledge and understanding of the research context and to ascertain the research questions' relevance to the interviewees. To afford a comprehensive picture of COCs and their purpose, the selection of interviewees was based on candidates' track record and their known expertise in co-operative organisations. In other words, we used information-oriented

selection (Eisenhardt & Graebner, 2007; Flyvbjerg, 2006).

To develop our understanding of consumer co-operation further, the first two authors continued the process with additional tape-recorded thematic interviews (see Silverman, 1997), in 2005. These were followed, in 2007, with a research assistant's in-depth interviews of 22 people who each chaired the supervisory board of an S Group co-operative. These subjects were chosen because they regularly engaged in abstraction processes focused on the purpose and economic responsibilities of COCs – the boards are responsible for defining the respective organisations' frameworks for strategy. At that stage, the idea motivating this paper was already forming.

The body of qualitative data (e.g., Denzin & Lincoln, 1994) analysed in our process was amassed from considerable archival material (e.g., annual reports, books, and personnel magazines) and the above-mentioned 42 interviews with experts in co-operation and actors representing various levels and areas within the organisations (several CEOs, the 22 supervisory board members of individual co-operatives, and managers of the association of co-operatives).

Such factors as the networks involved made it especially important to assure interviewees' anonymity. This was handled in all stages through an oral agreement, usually supported by a briefing on research ethics. As for other material, the interpretation in our first order analysis of the agency-theory-linked purpose and economic responsibilities of COCs gave a voice to only the interviewees, not producers of other source material (the creators of the archived textual material). However, the formulation of more theoretical interpretations (Van Maanen, 1979) was informed by all the data, with the interview content still in the primary role (as the unit of analysis).

The Analysis Process

In 2012, we conducted theoretical analysis of the data, using Carroll's (1991) definition of corporate economic responsibility (CER) as the basis for the following specific sub questions: 1) For satisfying the immediate expectations of the consumer-owners, what is important in COCs' performance? 2) What is important with regard to COCs' commitment if one wishes to ensure the capacity to satisfy consumer-owner expectations in the long term? 3) What is vital in a COC's market strategy for creating value for consumer-owners? 4) What efficiency-related elements are key to creation of consumer-owner value? 5) Finally, for generating that value, what is important in terms of the chosen concept of success?

In the attempt to construct a valid and reliable study, the first two authors began by examining the data systematically to arrive at a preliminary understanding of economic responsibilities in this particular context. Next, we organised the data along the outlines provided by Carroll in 1991. The aim of this analysis was to capture important aspects in relation to the above sub-questions. More detailed analysis followed, in which we intertwined our data with literature on corporate economic responsibility and corporate purpose with regard to consumer co-operation. To afford development of a trustworthy analysis procedure, we met to discuss the data and our interpretations to ascertain whether we agreed on the inclusion of data connected with particular themes. Also, our understanding of Carroll's model developed through the interplay of data, literature, and emerging theory, with several reorganisations and clarifications emerging (Eisenhardt & Graebner, 2007). This process included iterative and joint writing. Finally, researcher triangulation entailed a third and fourth author joining our effort – with the preparation of this manuscript representing the

ultimate outcome.

Before we turn our attention to the findings, it should be noted also that the analysis process included the first two authors engaging in several discussions with S Group executives and other co-operation experts (e.g., leaders of the Pellervo Confederation of Finnish Cooperatives) to check the interpretations formed. The findings and theoretical formulations presented in the paper were presented to co-operative practitioners at a governance seminar too. The feedback indicated both insider agreement with our interpretations and excitement about our formulations.

The Findings

This section presents ideas as to COCs' economic responsibilities as derived from our data and ties them in with earlier concepts of CER. Our discussion is anchored in Carroll's five components of CER, which formed the basis for our study. As this discussion unfolds, we elaborate an aggregate conceptualisation of CER that fits the agency-theoretical purpose of COCs.

Satisfying the Owners' Immediate Expectations

In his 1991 definition of economic responsibilities, Carroll maintains: 'It is important to perform in a manner consistent with maximizing earnings per share' (p. 40). Relative to our first sub-question, this notion seems to reflect the agency-theoretical purpose of shareholder corporations (Friedman, 1970; Jensen & Meckling, 1976), highlighting the central place of financial capital, the role of the shareholders as providers of that capital, the criteria employed in rewarding the principals for their contribution, and the role of profit as the foundation for the rewards. According to R.F. Duska (1997), shareholders 'don't usually ask what goods or services the companies they invest in produce, but rather inquire what return on their investment the company pays' (pp. 1401–1402). Accordingly, maximising earnings per share is linked to the immediate expectations of the shareholders (and market analysts; see Mintzberg et al., 2002). As the portion of a company's profit allocated to each outstanding share of common stock, per-share earnings are also among the key factors in stock prices (Bierman & Hass, 2009) – a variable of continuous concern for managers of shareholder corporations (Davis, 2009).

According to our informants, the agency-theoretical purpose of COCs is very different from that of shareholder corporations and integral to the mechanisms via which the owners (principals) benefit. As one interviewee articulated,

[w]hen members start a co-operative, they start it not for showing profits but for producing services and benefits for themselves [...]. It gives the possibility of using the services, and the more they use them the more they benefit [...]. If the co-operative happens to show a profit, members may return that to themselves. But in listed companies the usage of services does not normally have a function; in them, you just think about how much of a dividend you get for your shares and how the share price develops [...]. That is a totally different philosophy.

This is consistent with J. Michelsen's (1994) statement that in co-operatives 'it is members' needs rather than the amount of capital they have invested which constitute the material foundation of the enterprise' (p. 23). According to P. Normark (1996), this distinction is one of the key differences between COCs and shareholder corporations. As the above extract illustrates, the idea is that consumers pool their limited capital resources

(participation shares) in the co-operative primarily to create potential for benefits through use. The participation-share-based compensation is typically limited (Jussila et al., 2008); that is, the role of user predominates over that of shareholder. On the other hand, a similarity exists in that the owners' rights are central to defining the corporate purpose, as this comment from the interview data attests:

Ownership brings a right for benefits; [it] guarantees services.

It is noteworthy that, since 'owners cannot generally sell their shares at a market price' (Nilsson, 2001, p. 336), speculative trade is removed from the picture. Instead of buying and selling in the financial markets (a typical household activity in a finance-driven economy; see Davis, 2009), member-owner households concentrate on transacting in the consumer market, accumulating benefits through the use of their co-operative's services. Hence, the co-operative has a responsibility 'to conduct concrete activities in such a way as to maximize satisfaction of members' needs' (Michelsen, 1994, p. 23), as highlighted by one informant:

We are not merely to maximise the bottom line of the co-operative; for us, it is more important to maximise the service for the member.

As the members' needs are satisfied in transactions between member and co-operative, it is vital that a COC perform in such a manner as to maximise the member benefits per transaction. In our data, the benefits (i.e., better terms of trade) are identified as including, for example, a more extensive network of shops, better assortments, lower prices, better bonuses, and patronage refunds. The insignificance of shareholding as a basis for rewarding individuals is highlighted by the fact that retained profits are common property, to which no individual member has a right (Nilsson, 2001).

Securing the Capacity for Long-Term Value Creation

As for our second sub-question, Carroll states: 'It is important to be committed to being as profitable as possible' (1991, p. 40). The rationale for this responsibility is explained by I. Wilson: '[T]he private corporation must be a profit-making organization. Without profit, its existence will be brief and troubled' (2004, p. 23). A highly profitable corporation is not only likely to survive but capable of rewarding the shareholders in the future with large returns on their investment.

In other words, this component is future-oriented and directs attention to the decisions that are going to affect company profitability. As posited by Schwartz and Carroll (2003), an organisation's actions fall outside the economic domain of CSR 'if they are not intended to maximize profit (or minimize loss) when a more profitable alternative exists' (p. 509). Among the possible manifestations of commitment to being as profitable as possible are closing down unprofitable factories and moving low-profit operations to more profitable markets (Davis, 2009). This focus encourages expectations of higher earnings per share, another key factor in determination of stock prices (Bierman & Hass, 2009). Positive reactions of the stock market to such decisions provide evidence of this every day.

As indicated above, co-operatives do not create value for the consumer-owners primarily through profit. Rather, this is done by creating transaction benefits for them. Therefore, profitability plays a different role in COCs than in shareholder corporations. Since 'it is the household's bottom line that is [of] prima-

ry interest to the owners of a consumer co-operative' (Jussila et al., 2008, p. 33), there is no use in making the greatest possible profit in transactions with the customers. In consequence, an activity of a COC that is not aimed at maximising profit (directly or indirectly) is not, as Schwartz and Carroll's (2003) work might lead one to conclude, indicative of a non-economic motive or of a flawed business decision. In fact, such action in a COC context may represent an excellent business decision, as the logic of operation is different:

Making profits and improving our equity ratios is not what we are for; our goal is not to puff out with our balance sheets but to create benefits to members, and, in my opinion, the benefits are concretised best with a good service network, ever better services.

Profitability does, however, play a role in COCs. It is simply a 'means to an end rather than an end in itself' (Cornforth, 2004, p. 15), as illustrated in this interview extract:

The main purpose of shareholder corporations is to make maximum profit, and to us that clearly is not the main purpose [...]. Our purpose is to make a 'profit' to the extent needed to make investments in developing services for our members.

It is important that, instead of making a commitment to being as profitable as possible, a COC is committed to being profitable enough to maintain its capacity to create benefits for the members in the future. Such commitment can be seen as contributing to growth in the amount of the expected benefit per transaction.

In this connection, it is worth noting that the pressure not to 'miss a quarter' in the context of shareholder corporations – i.e., not to upset the expectations of market analysts (Mintzberg et al., 2002, p. 70) – may feed the kind of greed and excessive risk-taking witnessed on Wall Street and culminating in financial crises. According to M.C. Jensen (2002, p. 245), 'short term financial performance (usually profits, or sometimes even more silly, earnings per share) [...] is a sure way to destroy value' and jeopardise the entity's long-term existence. If shareholder corporations go too far in this direction (e.g., in response to distorted executive incentives), they fail to create value for their owners in the long term.

According to our data, COCs do not display such a problem. Instead, they are able to develop their operations patiently, an approach that can provide them with competitive advantage:

In listed companies, you have to show good results in every quarter, and our main competitor has to pay maximum dividends from annual results. And in a co-operative you do not have that kind of necessity, so you have the patience to make medium results even for many years to build the network of business locations. We do not have to operate on so short-term a basis, and that is a major advantage in an investment-based business such as this.

That is consistent with the findings of Liljeblom and Vaihekoski (2010), according to whom co-operatives are likely to have a more long-term focus when compared to listed firms, which may 'in general be subject to higher short-term pressure due to relatively high ownership stakes by short term investors such as mutual funds, and activist owners' (p. 242). Our dataset also attests that no gimmicks are needed, with the financial media showing no interest in co-operatives. This is in line with J. Nils-

son's (2001) statement that 'as the co-operative residual claims are not marketable, no stock analysis specialists can reasonably have any interest in them' (p. 335). On the negative side, the low interest on the part of these media has probably contributed to the heretofore marginal interest shown in co-operatives by academia.

It is noteworthy that shortsightedness has been identified as able to jeopardise future member value also in COCs. Consumers-owners could become greedy and demand ever lower prices, business outlets in places where production costs cannot be recouped, or patronage refunds that put economic sustainability at risk. For instance, one CEO interviewed said:

There is possibly a threat that the membership become greedy, selfish, and grasping, such that they want it all for themselves in terms of patronage refunds and, thereby, share away those resources we need to develop the operation.

Nilsson explains the possibility of shortsightedness as follows: 'As the residual rights cannot be transferred upon the withdrawal of a member, the planning horizon of members is reduced. Because members are not specifically motivated to think in the long term, they are concerned with what their membership offers "right now"' (2001, p. 338). According to our data, members do sometimes raise their voices to demand more in the short term. In these cases, key representatives of the governing bodies must take action in concert with the management:

We have to explain to the members why the co-operative must make a certain amount of profit and why we cannot pay it all out in bonuses. It has to be explained [...] that the co-operative needs a small amount for itself and for its operation and investments [...]. The amount of the surplus has to be adequate, so that we can invest in the future.

Echoing the work of Lan and Heracleous (2010), our interpretation is that, with regard to ensuring the capacity for long-term value creation, the co-operative itself can be seen as the principal.

Market Strategy

With regard to the component of economic responsibility, associated with our third sub-question, Carroll states: 'It is important to maintain a strong competitive position' (1991, p. 40). This strategic component is in line with the notion that competitive position in markets is a central element in a corporation's profitability, where a strong position is associated with high profits (Porter, 1985). Accordingly, imperfect competition in general and a monopoly position in particular are seen as ideal for a corporation seeking to maximise profits. If customers do not have a choice, there is little incentive for such a corporation to mark down its products or services, and the more customers are willing (or forced) to pay, the greater the value created for its shareholders. This line of thinking by Porter (1985) is consistent with the structure-conduct-performance model, in which positive correlations exist among market concentration, barriers to entry, and profits (Ajlouni, 2010; Bain, 1951).

While Carroll (1991) does not mention industry and market attractiveness, the other components central to a firm's profitability, Porter (1985) maintains that the principle of shareholder corporations is to operate in those industries and markets that are most attractive in terms of the level of profitability offered. Therefore, if the rate of return available in a given part of the economy is less than a competitive rate possible elsewhere, that

field may lack service providers even if supplying services there would be profitable (Fulton & Hammond-Ketilson, 1992). Further, where the rate of return available dips to below what the shareholders desire or expect, the corporate agent would be expected to cease providing the goods and services. This renders it unsustainable from the consumer (community) point of view.

Per our data, COCs take another approach to competition and markets. In fact, COCs exist to counteract failures in the consumer market (Jussila et al., 2008; Normark, 1996). They are tools by which consumers secure provision of certain goods and services when no other actor in the market chooses to provide them:

We invest in business locations in which any other actor in the retail business would not even think of building a new unit. We invest to provide services in such municipalities.

Illustrating the difference between COCs and shareholder corporations, one interviewee stated:

[T]he consumer co-operative society must be the last to turn off the lights.

In other words, it is the COC's responsibility to maintain the supply of the goods and services when shareholder corporations or other actors leave a market. When a market is in decline, the COCs is not oriented to seeking more attractive environments; after all, 'the purpose of a co-operative is to serve [...] its members, by carrying out its chosen trade' (Davies & Burt, 2007, p. 159). As a members' representative we interviewed said,

[w]e are members and use services, so the first precondition for it is that the store does exist. We cannot go to a store, pub, or hotel if it does not exist. So the coverage of the network... there has to be the store. From the perspective of a member, this is probably the most central issue.

In that respect, COCs may be seen as occupying what Higgins and Currie (2004) refer to as the original role of business in society. Through these self-help organisations, consumers assume responsibility for their own destiny. Instead of letting other actors and stock markets 'run the show' (cf. Davis, 2009), they themselves arrange provision of the goods and services needed.

At the same time, as indicated earlier in the paper, our data also emphasise that COCs are not supposed to have a business unit in every possible location and that it is not acceptable (in the long term) to maintain business units that produce losses. Doing so would not be sustainable or demonstrate to their members a commitment to long-term value creation. In fact, in principle, a co-operative may even educate its members to nurture a well-functioning market by actively calculating their preferences from among the various co-operative business units.

Where H. Hansmann (1999) has identified firms as often holding some degree of monopoly power in dealing with their customers, the function of a COC may lie in providing 'a product or service at a competitive price in a situation where true competition does not exist' (Fairbairn et al., 1991, p. 22). While shareholder corporations comb through alternative markets in pursuit of profitability, COCs examine new areas of business to assess whether there is potential for greater benefit for the members (e.g., on account of market failures). If competition is highly limited, shareholder corporations will face little pressure to set their price offers close to the actual costs. Thereby, the production of goods and services is not very efficient from

customers' perspective. A COC entering such a market encourages lower prices to emerge through the process of reciprocal decisions among competitors (i.e., from competition). This was made clear in our data by a supervisory board chair, for instance:

When a consumer co-operative acts in the markets, it forces other actors [...] / competitors to operate more efficiently and in accordance with a more consumer-friendly philosophy. When consumer co-operation has thrived [...], it has strongly affected the operation of markets such that also those customers who do not use the services provided by the co-operative get better services, from other companies, when competition and the example set by a consumer co-operative enforces better operation by others too [...]. [I]t also prevents monopoly pricing, or at least restrains it, when we operate efficiently and are competitive.

Thus, a consumer co-operative's success as a barometer for competition (e.g., Cotterill, 1984) leads to favourable market conditions for all consumers, improving the situation of non-members as well (Normark, 1996). At the same time, to be successful a COC needs to hold a strong competitive position. Otherwise, it cannot influence the market to the benefit of the members and other consumers.

It is noteworthy that competitive advantage is not defined in Porterian terms in COCs – i.e., in terms of long-term above-average profit (Porter, 1985). Instead, a COC is seen as holding a competitive advantage when 'it is consistently its customer-owners' best and first choice,' as one CEO said in an interview. The paradox here is that, as the idea of COCs is to work toward increasing the surplus for consumers, they must look upon competition favourably. Comments by two CEOs are illustrative:

I must say that competition is good, and here we have tough competition [...]. Of course, it would not be good [...] if we had only one retailer group [...]. [It is] important that this is not like some kind of ancient Soviet system.

We do not act to kill competition; we must have points of comparison, and a monopoly situation is on no account our goal.

Indeed, S Group's actions push competitors to develop new products, services, and technologies. Consumers thus obtain a wider selection and better products. The resulting feedback process was characterised by a CEO in our dataset as follows:

We are in very intensive competition in each of our lines of business.

Clearly, it is important for a COC to maintain a well-functioning consumer market by utilising, among other things, its strong competitive position.

Efficiency

In comments related to our fourth sub-question, Carroll states the following with regard to economic responsibilities: 'It is important to maintain a high level of operating efficiency' (1991, p. 40). There are diverse ways to define and measure operation efficiency, many of which follow the tradition of measuring an organisation's performance via an array of ratios between outputs and inputs (Eilon, 1985), such as total asset turnover (net sales / average total assets). The foregoing discussion points toward two means of increasing operating efficiency. Firstly, Kudyba and Vitaliano (2003) find that corporations may increase their operating efficiency through appropriate use of productive re-

sources (a source of costs for them), thereby increasing their operating income (the company's earnings from core operations less its costs for goods sold and general operating expenses; see Weston & Copeland, 1986). A widely accepted way of judging profitability follows these lines. Secondly, firms may show better efficiency by raising prices. Alongside productivity improvements, a more favourable price structure has potential to contribute to an increase in business profits (Griffell-Tatjé & Lowell, 1999).

Our dataset shows that operating efficiency as defined above does not mesh with the principle of COCs. Since the COC model is not centred on a quest for profits, a COC is not supposed to pursue greater operating efficiency via price hikes. In contrast, the idea is to focus on applying production resources in a manner facilitating provision of lower prices for consumers. One respondent said the following in connection with this:

A clear measurement in, for example, market trade is that in all of our chains we attempt to maintain a price level that is two per cent lower than that of the corresponding chains of our competitors.

This represents an important distinction between COCs and shareholder corporations, one with strong measurement implications. A different numerator (output) should be used. If profit is taken as the numerator, similar or even more efficient use of production resources may yield a lower figure for operating efficiency in COCs as compared to shareholder corporations. False conclusions as to their relative efficiency could follow. Our data speak in favour of a more appropriate numerator for the measurement of COCs' operating efficiency, such as the surplus for consumers. According to Fairbairn et al. (1991), this surplus indicates 'how much the members' benefit, in total, from both the savings they make in the form of lower prices and the savings they make from patronage refunds from the co-operative' (p. 127).

COCs are sometimes believed to be inefficient in that, since they need not bow to pressures of quarter-based economics (Jussila et al., 2008), they may not be pressed to cut costs immediately whenever the savings turn out to be less than in equivalent shareholder corporations (Mintzberg et al., 2002). According to our informants, however, this logic does not always hold:

If a consumer co-operative operates inefficiently [...], it would be better that it not even exist. If it operates less efficiently than the market players' average, this leads to a situation wherein either the other players may gain monopoly-type profits through overpricing or the whole industry may operate inefficiently, which is not to the benefit of the customer [...]. [T]he core purpose and central mission of consumer co operation is to be efficient in the marketplace.

This is consistent with literature on co-operatives that cites economy as one of the core ideas behind co-operation (e.g., Jussila, 2013). One thing that helps consumer co-operatives reach high operating efficiency is that COCs may 'concentrate on the long-term development of an efficient organization [when] it comes to the provision of particular goods and services' (Jussila et al., 2008, p. 33). Thereby, a COC can actually be more efficient than shareholder corporations that have lost sight of long-term benefits by having their eyes, as Mintzberg and colleagues put it, 'on the scoreboard instead of the ball' (2002, p. 70).

The Definition of Success

Finally, turning to our fifth subsidiary research question, we consider Carroll's statement that '[i]t is important that a successful firm be defined as one that is consistently profitable' (1991, p. 40). With this component, related explicitly to conceptualisation, he presents the concept of success and what it ought to be in the mental frames of strategists (Mintzberg, 1987) working for an economically responsible shareholder corporation. Accordingly, this component can be seen as having particular theoretical and educational reach with regard to promoting the realisation of the purpose of a shareholder corporation. It is noteworthy also for seeming to highlight orientation to the longer term.

Against the backdrop of contemporary business discourses (Duska, 1997) and business-school education (Fontrodona & Sison, 2006), it is unlikely that shareholder corporations will find it difficult to define success through profitability, even if the aspect of long-term focus may pose a challenge. This approach can be over-extended, however, with COCs feeling tempted to define success similarly since theory tends to assume all businesses to be shareholder corporations. The risk here is that 'if the top management believes that the co-operative is like any other business (in quest for maximum profit), the co-operative is unlikely to realize its mission' (Tuominen et al., 2010, p. 12; see also Talonen et al., 2018). Thus far in the case context, co-operative principles and associated ideas have proved strong enough:

Those professional, slightly cynical managers who come from the world of business schools as professionals in business [...] eventually become co-operators, when they notice that this ideology works for real. And it was a surprise to many, and today our CEO is extremely committed to the basic idea of co-operation and sees that rewarding the member is the basic principle – what, in his view, we are doing. And it is visible everywhere that he is managing not one firm among many but a consumer co-operative with co-operative premises.

Nonetheless, completing the list of COCs' economic responsibilities demands a definition particular to a successful COC. Our data suggest that, consistently with the responsibilities presented above, a successful COC is one that is consistently beneficial to its members and also seen as such by them, while simultaneously accumulating the resources required for maintaining a positive spiral:

A successful co-operative retailer, an economically successful co-operative retailer, guarantees success also to the member. The better the co-operative does in the economic and operational sense, the greater the benefits for the member also.

When it does well economically [...], it provides the services to the member as efficiently as possible, and then the member commits, buys them [...], then it goes in both directions – the member has obtained the insight that the more he or she commits him- or herself to the co-operative, the more he or she benefits and that the more he or she commits, the better the co-operative does. So it's reciprocal.

Furthermore, consistent with the COC literature (e.g., Tuominen et al., 2009), our dataset suggests that profit is not the best indicator of success for COCs and that their management performance cannot 'be judged simply by examining the firm's net financial earnings' (Hansmann, 1999, p. 398).

A COC's performance can be measured instead in terms of total benefits generated by the co-operative for its members (Fairbairn et al., 1991). Market share and the proportion of the relevant population who are members can be used as additional indicators of success:

[Our] measures of performance quantify especially the benefits the members get and how we succeed in [generating these].

Through market share, we [can judge] that the services are attractive and the benefits concrete enough that the market share rises [...]. While the number of members is unlimited [in theory], the higher the market share, the more members it has and the better the co-operative has succeeded in its mission [...]. If the co-operative succeeds in its mission, the number of members will rise all the time.

Such definitions and metrics are consistent with the work of Fairbairn et al. (1991), who posit that it is important to 'guide a co-operative to the decisions that maximize the well-being of the members, not the financial well-being of the co-operative itself' (p. 24). These can be viewed as particularly important in light of cases, such as those discussed by M. Fulton (1999), in which a COC has not fulfilled its economic responsibilities, in consequence of an implicit notion that the members have a duty to support an unsuccessful COC. Defining a COC as consistently beneficial to its members can be regarded as one means of better aligning the series of actions with the purpose.

A General Concept of Economic Responsibility

At the outset, we asked what economic responsibilities a COC has and what constitute corporate economic responsibilities in general. Addressing these overall questions below, we begin with a summary of our findings in the COC context and consider them in terms of Carroll's components of economic responsibility. Then, we use that comparison to abstract more general components and an aggregate conceptualisation of corporate economic responsibility as a whole (see Table 1, p. 24).

Economic Responsibility of COCs and Shareholder Corporations

Firstly, the owners of COCs are consumers of goods and services rather than investors of capital. Therefore, it is the members' needs rather than financial capital that constitute the material foundation of the COC. Furthermore, the value of the firm to a consumer-owner is dependent on the extent and nature of the transactional relationship between the consumer and the co-operative, as opposed to the amount of capital invested. Therefore, we posit that, rather than perform in a manner consistent with maximising per-share earnings as Carroll's first component might dictate, it is important that a COC perform in a manner consistent with maximising member earnings per transaction.

Secondly, a commitment to having the financial ability to fulfil the firm's purpose over time, along with an orientation toward doing so, may be maintained more easily in COCs than in shareholder corporations. This is supported by the aspect whereby COCs have no activist shareholders and do not face great pressure to reach quarterly targets. One manifestation of said long-term orientation is that COCs retain some of the profit they make – which for a COC constitutes a means to an end rather than an end in itself. Profit helps secure the creation and accumulation of member benefits over time. Accordingly, we propose that, in contrast to commitment (per Carroll's second component) to the highest possible profitability, it

Shareholder-firm-specific components	COC-specific components	General components
It is important to perform in a manner consistent with maximising earnings per share (<i>Carroll's component</i>)	It is important that a COC perform in a manner consistent with maximising member earnings per transaction (<i>Our proposal</i>)	It is important to perform in a manner consistent with satisfying the owners' immediate expectations for economic rewards (<i>Our proposal</i>)
It is important to be committed to being as profitable as possible (<i>Carroll's component</i>)	It is important for a COC to be committed to being profitable enough to secure future member benefits (<i>Our proposal</i>)	It is important to be committed to having sufficient profitability to ensure capacity to satisfy owners' economic-reward expectations over time (<i>Our proposal</i>)
It is important to maintain a strong competitive position (<i>Carroll's component</i>)	It is important that a COC maintain a well-functioning consumer market (<i>Our proposal</i>)	It is important to select a market strategy that allows satisfaction of owners' expectations of immediate and long-term economic rewards (<i>Our proposal</i>)
It is important to maintain a high profit/input ratio (<i>Our proposal</i>)	It is important to maintain a high benefit/input ratio (<i>Our proposal</i>)	It is important to maintain high operation efficiency (<i>Our proposal</i>)
It is important that a successful firm be defined as one that is consistently profitable (<i>Our proposal</i>)	It is important to define a successful COC as one that is consistently beneficial to the members while nurturing the co-operative (<i>Our proposal</i>)	It is important to define success in terms of balance between the satisfaction of the owners' immediate and long-term expectations of economic rewards (<i>Carroll's component</i>)

Table 1. Specific and general economic responsibility (Carroll's components and our proposals).

is important that a COC show commitment to being profitable enough to secure future member benefits.

Thirdly, COCs are a tool by which consumers (or societies as a whole) meet their needs when no other actor is doing so. That is, while failures in the consumer market may suit the profit-maximising purpose of shareholder corporations, COCs exist precisely to counteract such failures. Whereas the idea of shareholder corporations is to aim for a strong position (preferably a monopolistic one) so as to set prices to a level that yields maximal profit, the principle of COCs is to gain the power to set prices that are close to the production cost. Furthermore, COCs are designed to compete so as to increase the consumer surplus and are intended to encourage competition that helps maintain a well-functioning market. Hence, we posit that, as opposed to maintaining a strong competitive position in line with the third component of Carroll's model, it is important for a COC to maintain a well-functioning consumer market.

Next, efficiency in COCs is best considered in terms of the ratio of total member benefit (output) to the resources used to create that benefit (input), as opposed to the profit/input ratio. In keeping with their purpose, COCs obtain higher efficiency only via appropriate use of productive resources, not by raising sales prices, the latter being a means more properly confined to shareholder corporations. Rather, this limitation can be taken to improve a COC's efficiency by guiding toward a long-term focus on provision of certain goods and services (in a given location). Considering this factor, one finds that the next economic responsibility on Carroll's list, maintaining a high level of operating efficiency, has too little information content to serve as a component for any specific context, either shareholder corporations or COCs; i.e., this component is unlike the above-men-

tioned ones in that it is a general one. Addressing the context of our study, we propose that it is important that a COC maintain a high overall ratio of member benefit to input as opposed to (in line with Carroll's fourth component) maintaining high operating efficiency and that, rather than maintain a high level of operating efficiency (in keeping with the fourth component in Carroll's model), it is important that shareholder corporation maintain a high profit/input ratio.

Finally, the way a successful firm is defined influences managers' mental frames and plans in tandem with the stream of actions (praxis) in a given firm. Therefore, a COC could lose its way and no longer fulfil its purpose were its success to be deemed to hinge on the profit made. Our work speaks in favour of explicitly articulating the responsibility of COCs to be consistently beneficial to their members, while accumulating resources to secure future benefits. Therefore, we propose that, as opposed to being defined, per Carroll's fifth component, as an organisation that is consistently profitable, it is important that a successful COC be defined as one that is consistently beneficial to the members while also nurturing the co-operative.

General Conceptualisation of Economic Responsibilities

When discussing the fourth component of economic responsibility above, we noted that maintaining high operating efficiency could be a responsibility of any corporation. To devise a general conceptualisation of corporate economic responsibilities, one must reduce the specificity (or 'information content') of the model's other components too, so that only the organisations' shared characteristics remain. Armed with definitions for economic responsibilities suiting shareholder corporations and befitting consumer co-operatives, we can now abstract and

propose more general CER components, while still making use of Carroll's definition work.

1. It is important to perform in a manner consistent with satisfying the owners' expectations with regard to immediate economic rewards
2. It is important to be committed to cultivating the level of profitability that entails capacity to satisfy the owners' expectations for economic rewards over time
3. It is important to select a market strategy that allows satisfying owners' immediate and long-term expectations with regard to economic rewards
4. It is important to maintain high operating efficiency
5. It is important to define success in terms of balance of satisfaction between the owners' immediate expectations and long-term ones for economic rewards

Based on these abstracted components, we propose an aggregate general definition for corporate economic responsibility as follows. An economically responsible corporation is one that performs in a manner consistent with satisfying the owners' expectations related to immediate economic rewards, is committed to having the level of profitability required for possessing the capacity to satisfy those expectations over time, selects the appropriate market strategy for doing so, maintains a high level of operating efficiency, and defines success in terms of balance between immediate and long-term economic rewards with regard to owner expectations.

Discussion and Conclusions

With this paper, we reject the notion that there are purposes that hold for all firms just because they are business firms (Abela, 2001), and we have shown that the principles behind the consumer co-operative form differ dramatically from the underpinnings of a shareholder corporation (Jensen & Meckling, 1976). Uncovering the differences between the economic responsibilities of shareholder corporations (*à la mode de* Carroll, 1991) and those of COCs has enabled us to articulate corresponding proposals based on our qualitative findings. Our working definitions of these responsibilities extend scholarly knowledge with components of economic responsibility that apply to COCs specifically. These lie in parallel to the components identified by Carroll (1991), which apply to shareholder corporations, with both sets being subordinates to more general responsibilities.

Implications for Management and Policy

Since it has been taken for granted that large-scale enterprise will be organised in the form of shareholder corporations (Hansmann, 1996), it follows that 'business schools usually base their teaching on the assumption that the purpose of the firm is to maximize shareholder wealth' (Fontrodona & Sison, 2006, p. 39). In consequence of such tenets as Schwartz and Carroll's statement that when a firm's 'activity produces a decline in profits or share value, this may be an indication of a non-economic motive, but may also merely represent a flawed business decision' (2003, p. 509), typical business-school research and education has not addressed itself sufficiently to the task of developing certain elements of managerial competence that are critical to business not designed to maximise profits (e.g., Tuominen et al., 2010; cf. Ghoshal, 2005). Therefore, we sometimes see business-school graduates act as 'managers with zebras [who try ever] harder to apply the most advanced techniques of horse

training to their zebras' (McGahan, 2007, p. 749).

If economic responsibility is defined purely in terms of profit maximisation and COC managers follow the corresponding guidelines (as we sometimes witness them doing or feeling pressured to do), the co-operative in question is unlikely to realise its purpose. As P. Davis (2001) argues, 'co-operatives lose their way and fail as they try to compete on the same terms as their investor-led rivals instead of differentiating themselves and competing on their own terms' (p. 32). On account of co-operatives' global importance, this is a serious problem. Therefore, it is vital to have a solid definition of CER that meshes with COCs, paving the way too for other conceptualisations and theories that explicitly take account of the co-operation-based model and what distinguishes it from shareholder corporations. Since the European Foundation for Management Development (EFMD, 2011) has taken co-operatives as an example of sustainable business, we envision greater attention being paid to the need for related intellectual framings. That said, governments' and foundations' intervention may be necessary for ensuring that more research can and will be directed toward COCs and co-operatives in general. Thereby, these user-owned organisations may gain equal footing with investor-owned companies in business and management education.

Also, we would expect many government officials and representatives of financial and other media to benefit from fuller understanding of the purpose of co-operatives and their responsibilities, distinct from those of shareholder corporations. Such understanding would be especially important for fair competition. In our view, fair competition exists when no particular model of business enterprise has excessive advantage arising from, for example, unfair support from the institutional environment (this extends to intellectual framings also). Here, we have offered some comparisons between shareholder corporations and COCs that serve the project of unravelling of a few of the conceptual and theoretical mysteries of a form of business that supports fair and market-correcting competition.

Much more work is needed for deconstructing the business discourses expressing as unquestioned reality that all firms exist to maximise profit (Duska, 1997). What we call for might not be an easy task, given that the shareholder corporation is the capitalistic ideal (Hansmann, 1996). However, we have touched on several reasons for which the COC model might be of interest to society and able to penetrate existing business discourses. Co-operatives already occupy a significant role globally. Perhaps more importantly, the COC model seems to have characteristics via which communities can gain some control over the market as opposed to ceding all the power to stock markets. The model is not based on short-term profit maximisation and mobility of operations and capital, nor does it allow speculation as witnessed in stock markets. Instead, a COC occupies a more traditional role of a business: that of an efficient and high-quality provider of goods and services for particular consumer markets (cf. Fontrodona & Sison, 2006). One could say that COCs anchor services in localities in which shareholder corporations might not display any interest. Furthermore, the owners are those most interested in the products and services the firm produces and in the company itself (cf. Mintzberg et al., 2002), and, under Liljeblom and Vaihekoski's logic (2010), also the absence of activist investors promotes orientation to the longer term.

Directions for Future Research

Our work has highlighted a need to develop ways of measuring variables such as member benefit per transaction, total member

value, and growth in expected member benefit per transaction. Such metrics are of value for evaluation of the extent to which COCs succeed in meeting their purpose and responding to their economic responsibilities to the members. This challenge can be taken up by accounting scholars, for example.

Our research suggests that using profit-based measurements to compare efficiencies across COCs and shareholder corporations is misleading. Price too seems to be a problematic indicator. Therefore, another challenge we can cite is that of finding ways to compare efficiency between these distinct forms of business enterprise. Of course, one could legitimately ask whether such comparisons are necessary at all, at least with regard to determining some single best way to organise economic activities. We believe in the value of a rich landscape of business models and in letting fair competition determine what kind of model best suits particular market conditions.

We find that work proceeding from the aspects common to all corporate forms can lead to more generalisable conceptualisations and theories, as opposed to one focused primarily on the model currently dominating the field of business economics – today, shareholder corporations.

As the discussion above indicates, our process applied an agency-theory perspective to corporate purpose and economic responsibility. In this vein, an interesting question for future research is that of the fundamental difference between shareholders' and consumers' roles as owners. While in shareholder corporations the investors may wait relatively passively for returns on the capital invested and developments in share prices, COCs require members' active participation in the value-creation processes (cf. Talonen et al., 2016).

Finally, we have not addressed the stakeholder standpoint according to which the economic and social purpose of corporations is to create and distribute increased wealth and value to all the primary stakeholder groups. Future work should investigate how the owner-centred economic responsibilities identified in this paper connect with – and possibly serve as the foundation for – other responsibilities of COCs. Here, an interesting question is whether COCs and shareholder corporations differ in terms of their relationships with particular categories of stakeholders and whether these differences can be linked to the enterprises' roles as creators of value for different kinds of owners.

Scholars could also consider the issue of the shareholder corporation's dominant position in academic and business discourse. Perhaps this is a matter of politics: this type of company is the capitalistic ideal: by definition, the model to be chosen for any large-scale business (Hansmann, 1996). If so, any academic field should refuse to become stagnant on political grounds. If, instead, the domination is a matter of economic theory – indeed, models such as the co-operative have disappeared from economics textbooks over time (Kalmi, 2007) – organisation scientists should be more careful in borrowing from a discipline with this failing. Or perhaps the distortion is simply a matter of practice: the investor-owned firm is the prevailing model of organisation in market economies (Novkovic, 2008), with the listed firm in particular being of primary interest to market analysts and financial media (Mintzberg et al., 2002) and with business discourses maintaining an unquestioned view that all firms exist to maximise profit (Duska, 1997). If the issue is one of practice, academics should acknowledge the diversity of governance forms, speak out to draw attention to this variety, and deconstruct the discourses that represent distorted realities of business life.

In our view, there is a need for greater understanding of busi-

ness organisations that are inherently not maximisers of (short-term) profit or targets of speculative trading. Our thinking on this is rooted in several ideas. Duska (1997), for one, maintains that 'the appeal to profit was a means to motivate more production, but it was not the purpose of production' originally but that, over time, 'the means of motivation in some way became confused with the purpose of business' (p. 1408). Accordingly, research devoted to businesses that are fundamentally linked back to people's actual needs rather than investors' endless appetite for more money is warranted. One might ask about sustainability from a consumer (community) angle: which model of business enterprise is likely to safeguard long-term provision of services in a particular consumer market? Dyllick and Hockerts (2002), on the other hand, address a different idea of sustainability, stating that we have seen firms overemphasising 'short-term gains by concentrating more on quarterly results than the foundation for long term success' (p. 132). In addition, it has been observed that speculative traders are not interested even in a firm's short-term profits; their attention is more on dramatic swings in the share price that allow them to make money both 'uphill' and 'downhill.' This acts against economic sustainability (Mintzberg et al., 2002), which we define as a firm's financial ability to sustain fruitful pursuit of its purpose.

This paper has demonstrated that COCs are driven by consumer needs and, thereby, fill a historically important role of the business as provider of goods and services to the marketplace. We have shown that COCs exist to serve particular consumer markets so are sustainable from a consumer/community point of view in the sense that they will not take their operations elsewhere. Furthermore, our work has clarified that the relationship between the firm and the owner in COCs is likely to be anything but speculative, as the consumer-owners cannot obtain value through stock trading. We also stress that the co-operative itself, in its efficiency and service quality, is important to those consumers whose value of ownership is derived through use. Finally, we have revealed that overemphasis on short-term gains is still possible in co-operatives – for example, in terms of 'right-now' consumer price reductions – while at the same time explaining why short-term emphasis and excessive risk-taking are unlikely in COCs.

Finally, conceptualising the CER of COCs is a means to a contribution on a higher plane. That is, contrasting the meanings of CER for a co-operative with what is found in Carroll's definition helps us consider the form-specific details appropriately, so that only the aspects common to all business forms remain. While Carroll's definition remains useful for the most part in the context of shareholder corporations, we developed a more general definition of CER, which we hope encourages further research. We hope also that our example motivates scholars of various key phenomena central to business economics to engage in processes of abstraction that address examples from two or more models of business enterprise rather than merely one.

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Conflict of Interest:

Authors declare there is no conflict of interest.

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